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FOREIGN SERVICE DESPATCH

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FROM : American Embassy, Tehran

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DESP. NO.

November 29, 1958

TO : THE DEPARTMENT OF STATE, WASHINGTON.

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	REC'D	IN OTHER
	12-5	IN-7 Com-17 OSD-4 TAP-2 Co-4 Navy-3 Army-4 USA-10

SUBJECT: Abadan-Persian Gulf Pipeline.

XMB-4 TP-3

Transmitted as an enclosure to this despatch is a translation of the official communique issued by NIOC on November 25, 1958, describing the pipeline and port facilities proposed to connect the Abadan Refinery directly with the Persian Gulf.

As the Embassy has reported on previous occasions, a committee was recently set up under the chairmanship of Dr. Reza FALAH, NIOC's Director of Exploitation, to study this problem and rough out specifications for the facilities desired. The Embassy has also had occasion to comment that the inspiration for this project is largely political, having come to the fore only since the coup in Iraq, which has implicitly threatened Iranian use of the Shatt-al-Arab.

It will be noted that no cost figures appear in the official statement nor is reference made to possible means of financing. Various cost estimates have been relayed unofficially to the Embassy. These generally fall between \$250,000,000 and \$300,000,000. While no less than half a dozen companies are said to be eager to submit bids for construction of the line and port facilities, none of these is known to have access to means of financing a project of this scope. Meanwhile, NIOC and the Government have let it be known that Iranian funds will not be so invested.

An officer of the Consortium has informed the reporting officer that the Consortium estimates the fees paid to the Basra Port Authority for passage of tankers to and from Abadan through the Shatt-al-Arab in 1958 should total about £2,000,000 sterling, one-fifth of the total estimated revenue of the Authority. The Iranians tend to look upon this as a net figure, whereas in actuality maintenance of the shipping channel, together with necessary facilities, is extremely costly. The same official has given it as his view that in spite of the official publication, this pipeline project is to all intents and purposes a dead letter.

FOR THE AMBASSADOR:

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First Secretary of Embassy

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(Classification)

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From TehranOFFICIAL COMMUNIQUE, ABADAN-PERSIAN GULF PIPELINE.

The NIOC, on November 25, 1958, published the following communique on the proposed pipeline from Abadan to the Persian Gulf. The pipeline will run from Abadan to Khor-e-Musa, west of the port of Bandar Shahpur.

The Abadan-Persian Gulf pipeline construction project includes not only laying the pipe itself, but also the construction of a new oil port at Khor-e-Musa. The port will include seven docks for loading 16 million tons of petroleum products per year. Four other docks will be provided for use in the event that products exports exceed this volume. Two other docks will be constructed to discharge materials used in the port itself. Several other small docking facilities will be provided to load and unload other materials.

The project includes construction of 100 storage facilities of various sizes with an aggregate capacity of 6 million barrels.

According to the specifications, 12 pipes will be laid to transport various refined petroleum products to dockside at the new port. The diameter of these pipes will be from 4 to 18 inches.

An electric cable will be strung between Abadan and the new port, and 12,000 kilowatts of power will be delivered. An electric generating plant will also be set up in the port.

The project also calls for the installation of fresh water supply in the amount of 3,000 tons per month to service tankers. In addition, 6 million liters of water will be provided for local consumption and 4 million liters of non-filtered water for agricultural purposes. A road will be constructed along the pipeline. One hundred and twenty houses will be constructed for staff and 1200 houses for labor. The plans for the port include construction of offices, workshops, ice plant, laundry, aircooling equipment, dispensary, swimming pool, movie house, and sports field.

Different types of products which will be exported from this port on an annual basis will be the following: Gasoline, 2,800,000 tons; kerosene, 1,900,000; gasoil 1,500,000 tons; Diesel oil, 1,300,000; fuel oil, 7,900,000. (The above exports will be made in bulk.)

Exports of petroleum products in containers will be the following: bitumen (in 152-liter containers), 1,200,000 barrels; various products (in 200-liter containers), 160,000 barrels; various products (in 18-liter containers), 550,000 cans.

END OF ENCLOSURE

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